

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

INFO USCINCEUR

CHARMISH MAAG TEHRAN

C O N F I D E N T I A L STATE 023543

E.O.: 11652:GDS

TAGS: AFIN, IR

SUBJECT: ACCOUNTING FOR MAP EQUIPMENT IN IRAN

REF: TEHRAN 0518

1. GAO AND OTHERS HAVE PRESSED FOR SALE OF RESIDUAL RIGHTS TO MAP EQUIPMENT FROM TIME TO TIME AND A YEAR AGO US EMBASSIES IN SEVEN EUROPEAN COUNTRIES AND IN JAPAN WERE ASKED TO ASSESS THE FEASIBILITY OF APPROACHING HOST GOVERNMENTS ON SUCH A SALE. ADVANTAGES TO THE PURCHASING GOVERNMENT WOULD BE RELIEF FROM THE BURDENS OF END-USE SUPERVISION AND REPORTING, AND FROM THE OBLIGATION TO RETURN THE MATERIEL TO THE U.S. WHEN NO LONGER NEEDED. ALSO, THE HOST GOVERNMENT WOULD RETAIN ALL PROCEEDS FROM THE FINAL DISPOSAL OF MAP EQUIPMENT. ADVANTAGES TO THE US WOULD BE A MODEST CASH REIMBURSEMENT, PROBABLY NO MORE THAN 5 OF THE ACQUISITION VALUE OF THE EQUIPMENT, AND RELIEF FROM END-
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USE SUPERVISION REQUIREMENTS.

2. HOWEVER, IN LIGHT OF SPECIFIC CONGRESSIONAL BANS ON TRANSFER OF MAP OR FMS EQUIPMENT TO THIRD COUNTRIES, THE SALE OF RESIDUAL RIGHTS WOULD HAVE TO INCLUDE CONTINUATION OF THIS BAN. THIRD COUNTRY TRANSFERS WOULD BE PERMISSIBLE ONLY WITH PRIOR U.S. APPROVAL. IN ADDITION, WE WOULD PROBABLY SEEK TO OBTAIN THE FIRST RIGHT OF PURCHASE IN THE CASE OF SPECIFIC AND END ITEMS FOR WHICH WE STILL HAVE MAP REQUIREMENTS, SUCH AS IRAN'S F-5A AIRCRAFT.

3. IN VIEW OF FACT THAT PURCHASING COUNTRY WOULD NOT GAIN ANY SIGNIFICANT NEW FREEDOM IN DISPOSING OF EXCESS MAP EQUIPMENT, AS WELL AS DEFENSE BUDGET CRUNCHES IN WHICH FUNDS FOR PURCHASE OF RESIDUAL RIGHTS WOULD HAVE BEEN AT EXPENSE OF NEW MATERIEL, THERE WAS NO ENTHUSIASM AMONG THE COUNTRIES APPROACHED LAST YEAR. APART FROM SPECIAL CASE OF FRG, WHICH IN 1962 PURCHASED RESIDUAL RIGHTS TO ALL MAP EQUIPMENT FOR 7 1/2 PER CENT OF ACQUISITION VALUE, THE ONLY SALES OF RESIDUAL RIGHTS HAVE BEEN PARTIAL ONES TO AUSTRIA, THE UK AND TO NORWAY. THE UK AND NORWAY PLANNED MODIFICATIONS TO CERTAIN AIRCRAFT AND TANKS AND DESIRED TO PURCHASE RESIDUAL RIGHTS TO SIMPLIFY LOCAL SUPPORT PROCEDURES. AUSTRIA PURCHASED THE RESIDUAL RIGHTS TO ALL ITS MAP-PROVIDED TRUCKS.

4. WE HAVE NO OBJECTION TO APPROACHING GOI ON PURCHASE OF RESIDUAL RIGHTS, AS SUGGESTED BY GAO, BUT SEE LITTLE CHANCE OF SUCCESS FOR SAME REASONS AS IN M-47 CASE (PARA 3 REFTEL). AT YOUR DISCRETION, YOU MAY WISH TO SOUND OUT APPROPRIATE OFFICIALS INFORMALLY. FOR TALKING PURPOSES, OSD RECORDS SHOW THAT IRAN HAS RECEIVED MAP MATERIEL WITH AN ACQUISITION VALUE OF \$565 MILLION. (THIS FIGURE EXCLUDES TRAINING, SUPPLY OPERATIONS AND SERVICES.) WE SUGGEST THAT ANY NEGOTIATIONS BEGIN AT 5 OF ACQUISITION VALUE FOR THAT MATERIEL REMAINING IN THE IRANIAN INVENTORY AND SUBJECT TO SALE OF RESIDUAL RIGHTS (EXCLUDE F-5A'S AND RELATED AGE AND SPARES). AMOUNTS OF EQUIPMENT NOW ON HAND, PARTICULARLY SECONDARY ITEMS, AS WELL AS TERMS OF SALE WOULD BE OPEN TO NEGOTIATION.

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5. APART FROM THE SALE OF RESIDUAL RIGHTS, OSD SUGGESTS THAT IF THE MAP SUPERVISION AND REPORTING PROCEDURES ARE A SERIOUS PROBLEM, THE MAAG SHOULD APPEAL TO USCINCEUR. UNDER PRESENT GUIDANCE (MILITARY ASSISTANCE AND SALES MANUAL, PART II, CHAPTER K) USCINCEUR HAS CONSIDERABLE LATITUDE IN SPECIFYING WHAT REPORTS NEED BE MADE AND RECORDS KEPT AND IN WHAT FORMAT AND DETAIL. KISSINGER

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